

Half-year Report 2002

allreal

holding

Key figures at a glance

		1 st half-year 2002 resp. 30.06.2002	1 st half-year 2001 resp. 31.12.2001	Change in %
Allreal Group				
Real estate portfolio	CHF million	1 308.2	1 025.5	+27.6
Turnover from Projects & Development Division	CHF million	299.3	302.2	-1.0
Total income excl. revaluation	CHF million	61.4	55.1	+11.4
Operating profit (EBIT) excl. revaluation	CHF million	33.1	25.5	+29.8
Net profit excl. revaluation effect	CHF million	18.6	14.9	+24.8
Net profit incl. revaluation effect	CHF million	31.1	22.4	+38.8
Return on equity incl. revaluation effect (annualised)	%	10.8	8.1	+2.7
Return on equity excl. revaluation effect (annualised)	%	6.5	5.4	+1.1
Equity ratio	%	37.3	44.2	-6.9
Net gearing ¹	%	131	102	+29.0
Headcount at balance sheet date	full-time equivalents	221	219	+0.9
Allreal shares				
Earnings per share incl. revaluation effect	CHF	5.01	3.53	+41.9
Earnings per share excl. revaluation effect	CHF	3.00	2.35	+27.7
Net asset value (NAV) per share	CHF	96.81	94.55	+2.4
Share price at balance sheet date	CHF	80.00	82.00	-2.4
Operating key figures				
Net yield real estate portfolio ²	%	5.8	5.7	+0.1
Operating margin Projects & Development Division ³	%	28.9	29.1	-0.2
Valuation				
Market capitalisation ⁴	CHF million	496.3	514.5	-3.5
Enterprise value (EV) ⁵	CHF million	1 282.6	1 120.9	+14.4

¹ Borrowings less cash as percentage of equity

² Rental income less property expense as percentage of historical book value; net yield in the 1st half-year 2002 was 5.5 % when compared to market value

³ EBIT minus revaluation as percentage of operating income

⁴ Stock price at balance sheet date multiplied by the number of outstanding shares (= issued minus treasury shares)

⁵ Market capitalisation plus net borrowings

Allreal is listed on the Swiss Exchange SWX (symbol: ALLN, securities number 883 756).

Real estate at a glance

		1 st half-year 2002 resp. 30.06.2002	1 st half-year 2001 resp. 31.12.2001	1 st half-year 2000 resp. 31.12.2000
Commercial real estate				
Portfolio				
Number		39	30	27
Useable floor space	'000 m ²	202	139	111
Vacancy rate	%	1.2	1.7 ⁴	2.7 ⁴
Gross rental income	CHF million	23.3	15.7	12.8
Real estate profit ¹	CHF million	20.9	12.9	11.5
Gross yield ²	%	6.6	6.4 ⁴	6.2 ⁴
Net yield ²	%	5.8	5.4 ⁴	5.7 ⁴
Historical book value	CHF million	883.8	647.8	482.1
Market value	CHF million	943.3	684.3	505.8
Average market value ³	CHF million	24.2	22.8	18.7
Portfolio under construction				
Useable floor space	'000 m ²	44	38	0
Investment volume	CHF million	230.0	160.0	0.0
Book value	CHF million	52.3	95.6	0.0
Land reserves				
Property area	'000 m ²	16	16	0
Investment volume	CHF million	130	130.0	0.0
Book value	CHF million	19.7	17.7	0.0
Residential real estate				
Portfolio				
Number		24	16	21
Useable floor space	'000 m ²	93	78	93
Vacancy rate	%	1.1	1.5 ⁴	1.9 ⁴
Gross rental income	CHF million	9.7	9.4	9.4
Real estate profit ¹	CHF million	7.7	6.9	7.2
Gross yield ²	%	7.3	7.5 ⁴	7.3 ⁴
Net yield ²	%	5.7	5.5 ⁴	5.7 ⁴
Historical book value	CHF million	281.7	214.6	252.6
Market value	CHF million	292.9	227.9	264.8
Average market value ³	CHF million	12.2	14.2	12.6
Development properties Projects & Development Division				
Undeveloped property				
Property area	'000 m ²	147	104	127
Investment volume	CHF million	661	495.0	n.a.
Book value	CHF million	91.6	55.1	53.6
Buildings under construction				
Investment volume	CHF million	269.0	247.0	n.a.
Book value	CHF million	139.2	133.5	145.0

¹ Gross rental income minus property expenses

² On historical book value; regarding the adjusted market value as at 01.01.2002, net yield on commercial real estate for the 1st half-year 2002 was 5.5 %, and on residential real estate 5.4 %

³ Per property

⁴ Full year

Allreal stands for value

- Operating earnings increase of 25 percent
- Significantly higher dividend yield in the future
- Portfolio growth of 28 percent to CHF 1.3 billion
- Increasing importance of project development

Dear Shareholder

During the first half-year 2002, Allreal stood its ground very well despite the continuing economic slowdown, and it continued with the course of success started in 1999. The unique combination in Switzerland of a high-class real estate portfolio with the capability of a general contractor, developer and real estate service provider has again proved to be a sound and workable business model.

Allreal offers the whole value chain connected with property – starting with project development right through to long-term investment. Therefore, and thanks to a portfolio comprising commercial and residential buildings, Allreal is able to react flexibly to the fluctuations of the real estate market, balance them and take appropriate advantage of opportunities.

Owing to the sound financial basis and continuing positive earnings expectations, Allreal intends to significantly increase dividends over the coming years. Shareholders may expect a pay out roughly the size of the yield obtained from direct investment in real estate. We therefore aim at increasing the dividend for fiscal year 2002 to CHF 4.50 per share (2001: CHF 3.00). Based on the current share price this corresponds to a cash yield of 5.6%. In addition, there remains room for further appreciation of the stock thanks to the above-average return on equity.

Real estate: strong portfolio growth

Allreal further expanded its real estate portfolio by acquiring selected residential and commercial property at top locations. Despite the sale of three properties during the period under review the portfolio value grew by 28% during the first half-year 2002 from CHF 1 025 million to CHF 1 308 million.

Parallel to the portfolio growth, rental income grew by 29% to CHF 32.5 million. Compared to the previous year, net yield increased from 5.4% to 5.8% during the first half of the year. The vacancy rate remained at a very low 1.2%.

Thus, the foundation has been set for ongoing income growth from real estate over the coming years. This is due to the portfolio expansion as well as the following factors: continuing optimisation of property expenses, taking advantage of hidden development potential, and the inclusion of own development projects into our real estate portfolio. In the half-year under review, two commercial properties in Zurich-Oerlikon, providing an annual rental income of CHF 9 million, were successfully completed and rented. In a next step, two commercial properties scheduled for completion in 2003 and 2005 will be leased to DaimlerChrysler and IBM respectively with a total rental income of CHF 13 million.

Project development: success with innovative concepts

With the ability to develop and plan demanding real estate projects from conception to full maturity, Allreal has positioned itself very positively in an increasingly competitive market. Successful project development creates measurable customer benefits through the co-ordinated and integrated interaction of various disciplines. These include market analyses, formulating visions and ideas, defining objectives, carrying out comprehensive project development taking into consideration the whole life cycle of the property, supporting approval procedures, and marketing the approved projects. At Allreal, all of these capabilities are implemented in-house.

Projects such as the headquarters for DaimlerChrysler (Switzerland) currently under construction in Schlieren, the approved residential development Arnikahof in Zurich-Oerlikon, and the commercial development "Lightcube" on the Oberhauserriet prove Allreal's capability in combining existing experience with competence and in successful implementation.

General contracting: full utilisation at good profit margins

For the first half-year, the Projects & Development Division again reported very satisfying results. With a slightly higher total revenue when compared to the previous year of CHF 29.6 million, the operating margin reached 29% and thus remained insignificantly below the targeted margin of 30%. Furthermore, Allreal continued to improve the financing structure of the projects.

Following on-schedule completion of the two commercial properties on Andreasstrasse and Eggbühlstrasse in Zurich-Oerlikon, as at 30 June 2002 nine development projects with an investment volume of CHF 500 million remained in the realisation phase. The order backlog ensures an 18-month workload for the division.

The start of construction of the Swiss headquarters for IBM in Zurich-Altstetten represents a further large project with an investment volume of over CHF 180 million. For this project Allreal is both general contractor and investor, while IBM has signed a long-term lease. During the period under review, construction has started on the Zentrum Zürich-Seebach (50 apartments as well as office and commercial space) and Bülachhof (71 apartments) in Zurich.

Services: sales success in a demanding market

The services division, which focuses on the sale and leasing of apartments, continued with the sales success reported the previous year. The sales of single-family houses and apartments in Oberrieden ("Säntisstrasse" and "Terrazza"), Männedorf ("Seeblick"), Fällanden ("Zilbach"), Niederhasli ("Wiesenfeld") and Zurich-Seebach ("Frohbühl) showed satisfying results. Marketing of the 150 apartments comprising the "Im Wiesental" project in Bülach and the 21 apartments in Uitikon-Waldegg ("Wängimatt") is scheduled to start during the second half-year.

In addition to selling residential property which was developed in-house and the initial rental of selected properties, Allreal was able to increasingly implement its existing know-how in the real estate sector in terms of consulting for third-party projects. The close co-operation between project development and general contracting provides valuable synergies to the advantage of clients and investors.

Substantial increase in income and earnings

Allreal continued with its successful business development during the first half-year. While income from the Projects & Development Division remained at a high level, income from real estate increased by 23% to CHF 31.8 million. Due to this, operating income (EBIT excl. revaluation) increased by 30% to CHF 33.1 million. Added to this are revaluation gains of CHF 17.4 million, mainly the result of a first market valuation of the completed commercial properties at Andreasstrasse and Eggbühlstrasse in Zurich. Earnings excluding the revaluation effect of CHF 18.6 million surpass the previous year's result by 25%. Total earnings of CHF 31.1 million represent an improvement of 39%.

The fast growth of the real estate portfolio was financed by means of higher borrowings. Thus, Allreal benefits from the benefits of an increased leverage effect at low interest rates. As at 30 June 2002, the average interest was reported at 3.2%, with a decreasing trend. A sound equity share of 37.3% (31.12.2001: 44.2%) and a good cash flow from operations will allow Allreal to continue to take full advantage of future market opportunities.

For the shareholder, the first half-year 2002 provided a profit increase per share of 28% (excluding the revaluation effect) to CHF 3.00, or of 42% (including the revaluation effect) to CHF 5.01. Net asset value is reported at CHF 96.81 per share (plus 5.7% taking into consideration the dividend paid of CHF 3.00).

Positive outlook for the 2002 financial year

Allreal expects a stable business development for the second half-year 2002. The low interest rates will continue to have a positive effect. Thus the good financial results reported in 2001 are likely to be surpassed, thanks also to higher income from the fast growth of the portfolio. Earnings, which in 2001 were boosted by extraordinary income of CHF 6.6 million, will grow from CHF 38 million to CHF 40 million or more. Return on equity will remain in the target range of 7 to 10 percent. We expect the portfolio to reach a total value of CHF 1.5 billion.

Jack Schmuckli
Chairman of the Board



Bruno Bettoni
Chief Executive Officer



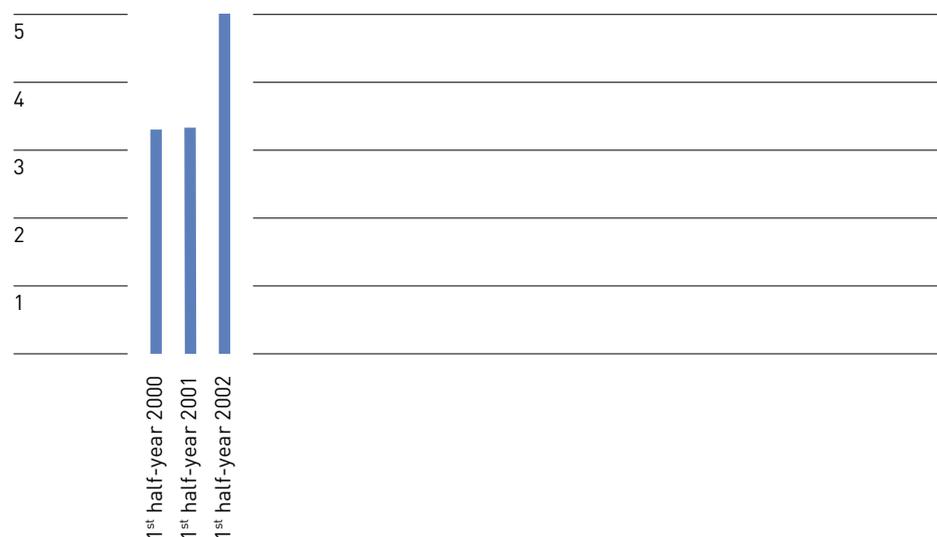
Consolidated financial statements

Consolidated income statement

CHF million	1 st half-year 2002	1 st half-year 2001	1 st half-year 2000
Income from projects & development	29.6	29.3	31.4
Income from real estate	31.8	25.8	22.7
Revaluation of real estate investments	17.4	10.0	1.3
Total income	78.8	65.1	55.4
Personnel expense	-16.3	-16.6	-14.7
Property expense	-4.3	-5.3	-3.5
Other operating expense	-6.3	-5.2	-6.1
EBITDA	51.9	38.0	31.1
Depreciation	-0.5	-0.8	-0.4
Amortisation	-0.9	-1.7	-1.9
Operating profit (EBIT)	50.5	35.5	28.8
Finance income	0.3	1.0	0.8
Finance expense	-10.6	-8.4	-7.0
Profit before tax	40.2	28.1	22.6
Current tax	-4.2	-3.2	-4.4
Deferred tax on revaluation	-4.9	-2.5	-0.3
Net profit	31.1	22.4	17.9
Total income excl. revaluation	61.4	55.1	54.1
EBIT excluding revaluation	33.1	25.5	27.5
Net profit excl. revaluation effect	18.6	14.9	16.9
Net profit per share in CHF			
- incl. revaluation effect	5.01	3.53	3.30
- excl. revaluation effect	3.00	2.35	3.12

Earnings per share

CHF



Consolidated balance sheet

CHF million	30.06.2002	31.12.2001	31.12.2000
Real estate investments	1 308.2	1 025.5	770.6
Intangible assets	3.4	5.1	12.2
Property, plant and equipment	2.0	0.9	1.8
Deferred tax assets	3.3	3.3	0.0
Financial assets	3.6	18.7	2.2
Fixed assets	1 320.5	1 053.5	786.8
Real estate for development	245.1	206.4	220.6
Trade receivables	29.2	65.5	193.6
Other receivables	11.6	9.8	1.5
Securities	0.0	2.2	2.1
Cash	4.5	3.5	40.7
Current assets	290.4	287.4	458.5
Total assets	1 610.9	1 340.9	1 245.3
Share capital	325.2	325.2	325.2
Capital reserves	175.9	176.1	173.7
Treasury shares	-25.9	-20.3	-11.7
Retained earnings	125.4	112.3	65.0
Total equity	600.6	593.3	552.2
Long-term borrowings	680.8	489.4	235.8
Deferred tax liabilities	50.9	45.9	19.5
Provisions	6.9	5.8	19.3
Non-current liabilities	738.6	541.1	274.6
Prepayments received	11.5	15.1	40.5
Trade payables	25.4	37.0	149.4
Current tax liabilities	11.2	9.4	8.9
Other current liabilities	113.6	22.3	9.1
Short-term borrowings	110.0	122.7	210.6
Current liabilities	271.7	206.5	418.5
Total liabilities	1 010.3	747.6	693.1
Total equity and liabilities	1 610.9	1 340.9	1 245.3
Equity (NAV) per share	96.81	94.55	86.60

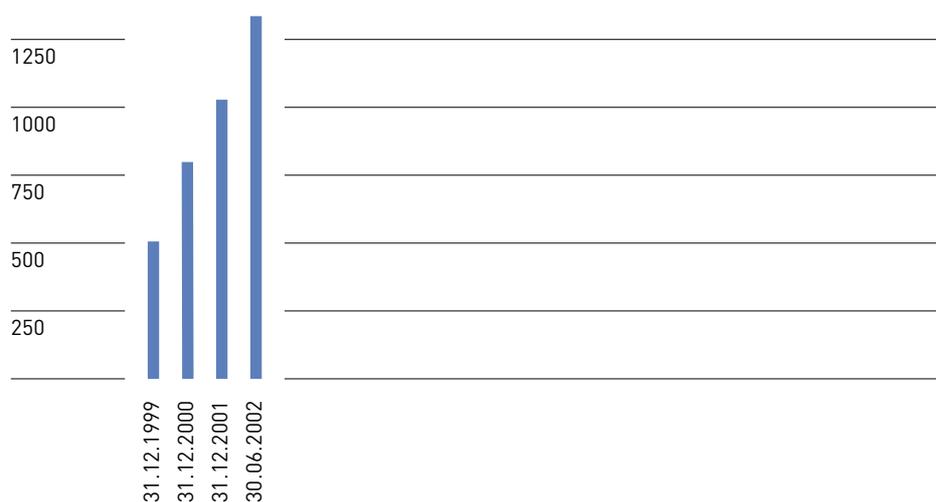
Consolidated statement of changes in shareholders' equity

CHF million	Share capital	Capital reserves	Treasury shares	Financial instruments	Retained earnings from revaluation	Other retained earnings	Total
As at 01.01.2002	325.2	176.1	-20.3	-2.4	36.0	78.7	593.3
Dividend payment						-18.6	-18.6
Valuation financial instruments				0.4			0.4
Acquisition of own shares		-0.2	-5.4				-5.6
Net profit					12.3	18.8	31.1
Reclassification			-0.2		10.0	-9.8	0.0
As at 30.06.2002	325.2	175.9	-25.9	-2.0	58.3	69.1	600.6

The reclassification of "other retained earnings" to "retained earnings from revaluation" is in connection with the sale of real estate investments transacted in 2001 and 2002. The revaluation (both higher and lower) carried out within the parameters of IAS 40 is recouped when sold, and as a result shifts may occur between the retained earnings items. Of the reclassified items, CHF 7.2 million are apportioned to financial 2001, and CHF 2.8 million to the 1st half-year 2002.

Real estate investments

CHF million



Consolidated cash flow statement

CHF million	1 st half-year 2002	1 st half-year 2001	1 st half-year 2000
Net profit	31.1	22.4	17.9
Revaluation of real estate investments	-17.4	-10.0	-1.3
Depreciation of fixed assets	0.5	0.8	0.4
Amortisation of goodwill	0.9	1.7	1.9
Change in provisions	6.1	-12.9	3.5
Other non-cash items	0.1	-38.8	-0.4
Change in securities	2.2	-1.8	0.0
Change in real estate for development	-38.7	-4.1	-45.1
Change in trade receivables	36.3	103.7	-31.9
Change in other receivables	-1.8	-26.4	20.7
Change in prepayments received	-3.6	13.4	16.4
Change in trade payables	-11.6	-92.6	16.4
Change in current tax liabilities	1.8	2.4	0.0
Change in other current liabilities	91.4	38.3	0.7
Cash flow from operations	97.2	-3.9	-0.8
Purchase of real estate investments	-315.3	-64.7	-183.9
Sale of real estate investments	51.2	24.5	0.0
Purchase (net) of plant, property and equipment	-1.7	-0.3	-0.8
Change in financial assets	15.1	0.1	0.0
Cash flow from investing activities	-250.7	-40.2	-184.7
Change in current borrowings	-12.7	-134.8	-75.0
Change in non-current borrowings	191.4	156.3	-5.1
Capital increase	0.0	0.0	304.1
Purchase of treasury shares	-5.6	-5.8	-9.9
Dividend payment	-18.6	0.0	0.0
Cash flow from financing activities	154.5	15.7	214.1
Change in cash	1.0	-28.4	28.6
Cash at 01.01	3.5	40.7	26.6
Cash at 30.06.	4.5	12.3	28.6
Change in cash	1.0	-28.4	55.2

Segment information 2002 financial year

CHF million	Office	Home	Projects & Development	Other	Elimination	Total
Income statement 1st half-year 2002						
Operating income	22.6	9.7	30.8	0.4	-2.1	61.4
Revaluation of real estate investments	20.3	-2.9	0.0	0.0	0.0	17.4
Total income	42.9	6.8	30.8	0.4	-2.1	78.8
Operating expense	-4.2	-2.6	-21.4	-0.8	2.1	-26.9
EBITDA	38.7	4.2	9.4	-0.4	0.0	51.9
Depreciation and amortisation	0.0	0.0	-0.5	-0.9	0.0	-1.4
EBIT	38.7	4.2	8.9	-1.3	0.0	50.5
Net finance expense	-8.0	-2.0	-0.4	0.1	0.0	-10.3
Income tax	-6.0	-0.5	-2.5	-0.1	0.0	-9.1
Net profit	24.7	1.7	6.0	-1.3	0.0	31.1
EBIT excl. revaluation	18.4	7.1	8.9	-1.3	0.0	33.1
Net profit excl. revaluation effect	9.3	4.6	6.0	-1.3	0.0	18.6
Operating margin (in %) ¹	81.4	73.2	28.9	n.m.	n.m.	53.9
Operating net cash flow ²	18.0	4.2	7.7	-0.4	0.0	29.5
Balance sheet 30.06.2002						
Non-current assets	1 015.8	293.9	3.8	7.0	0.0	1320.5
Current assets	2.7	1.4	285.0	4.3	-3.0	290.4
Total assets	1 018.5	295.3	288.8	11.3	-3.0	1610.9
Provisions	-34.0	-5.7	-18.1	0.0	0.0	-57.8
Other liabilities (excl. financing)	-82.0	-13.6	-68.4	-0.4	2.7	161.7
Operating net assets	902.5	276.0	202.3	10.9	-0.3	-1391.4
Borrowings	-522.6	-148.2	-120.0	0.0	0.0	-790.8
Equity	379.9	127.8	82.3	10.9	-0.3	600.6
Cash flow statement 1st half-year 2002						
Cash flow from operations	75.6	13.6	4.8	-1.0	4.2	97.2
Cash flow from investing activities	-197.0	-67.1	12.3	1.1	-	-250.7
Free cash flow	-121.4	-53.5	17.1	0.1	4.2	-153.5
Investments	248.2	67.1	1.7	0.0	0.0	317.0

¹ EBIT minus revaluation of real estate investments as percentage of operating income

² EBITDA minus revaluation of real estate investments, capital expenditure on real estate investments and purchase/sale of fixed assets

Allreal operates in Switzerland only. A break-down per geographical segment is therefore not required.

Segment information 2001 financial year

CHF million	Office	Home	Projects	Other	Elimination	Group
Income statement 1st half-year 2001						
Operating income from projects and development	15.7	10.1	30.2	0.4	-1.3	55.1
Revaluation of real estate investments	0.0	0.0	10.0	0.0	0.0	10.0
Total income	15.7	10.1	40.2	0.4	-1.3	65.1
Operating expense	-3.5	-3.1	-20.8	-1.0	1.3	-27.1
EBITDA	12.2	7.0	19.4	-0.6	0.0	38.0
Depreciation and amortisation	0.0	0.0	-0.6	-1.9	0.0	-2.5
EBIT	12.2	7.0	18.8	-2.5	0.0	35.5
Net finance expense	-4.8	-2.0	-0.7	0.1	0.0	-7.4
Income tax	-0.6	-0.8	-4.3	0.0	0.0	-5.7
Operating profit	6.8	4.2	13.8	-2.4	0.0	22.4
EBIT excl. revaluation	12.2	7.0	8.8	-2.5	0.0	25.5
Net profit excl. revaluation effect	6.8	4.2	6.3	-2.4	0.0	14.9
Operating margin [in %] ¹	77.7	69.3	29.1	n.m.	n.m.	46.3
Operating net cash flow ²	10.7	7.0	9.1	-0.6	0.0	26.2
Balance sheet 31.12.2001						
Non-current assets	798.1	228.9	16.7	9.8	0.0	1 053.5
Current assets	1.6	1.2	283.2	3.4	-2.0	287.4
Total assets	799.7	230.1	299.9	13.2	-2.0	1 340.9
Provisions	-28.9	-5.7	-17.1	0.0	0.0	-51.7
Other liabilities (excl. financing)	-14.5	-4.5	-70.4	-0.3	5.9	-83.8
Operating net assets	756.3	219.9	212.4	12.9	3.9	1 205.4
Borrowings	-366.4	-106.0	-139.7	0.0	0.0	-612.1
Equity	389.9	113.9	72.7	12.9	3.9	593.3
Investments	56.7	8.0	0.3	0.0	0.0	65.0

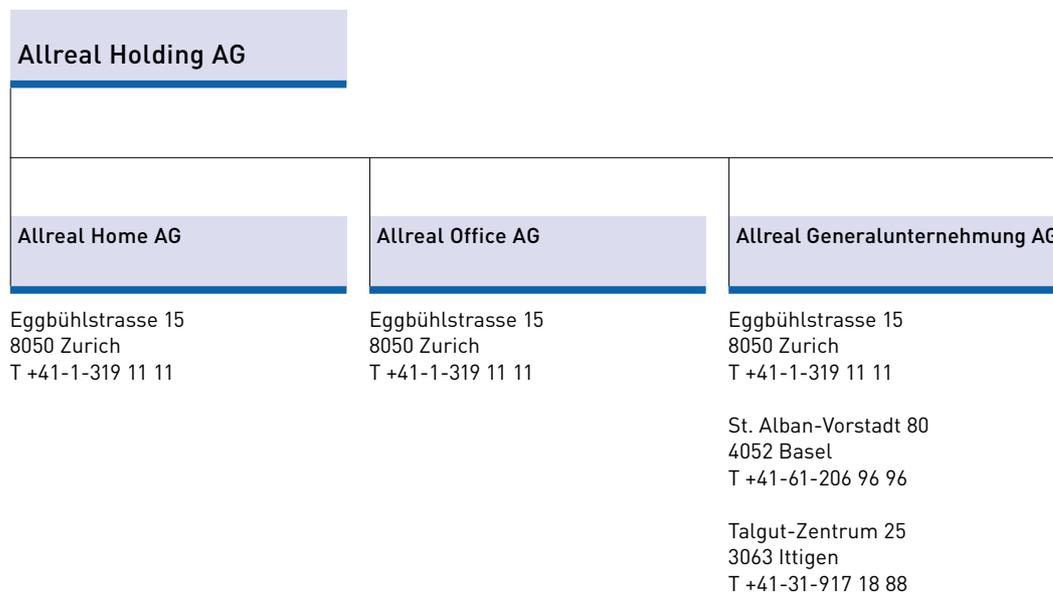
¹ EBIT minus revaluation of real estate investments as percentage of operating income

² EBITDA minus revaluation of real estate investments, capital expenditure on real estate investments and purchase/sale of fixed assets

Allreal operates in Switzerland only. A break-down per geographical segment is therefore not required.

Corporate structure, addresses, contacts and schedule

Structure



Contacts

Bruno Bettoni T +41-1-319 12 37
Chief Executive Officer F +41-1-319 15 35
bruno.bettoni@allreal.ch

Dr. Peter Kratz T +41-1-319 14 83
Chief Financial Officer F +41-1-319 15 35
peter.kratz@allreal.ch

Matthias Meier T +41-1-319 12 67
Communication F +41-1-319 14 77
matthias.meier@allreal.ch

Schedule

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2003 annual general meeting 28 March 2003

Allreal Holding AG
Zugerstrasse 50
CH-6340 Baar, Switzerland
T +41-41-711 33 03
F +41-41-711 33 09
E-Mail: info@allreal.ch
www.allreal.ch

